

Amending Gate Closure references in Market Index Data to include trades up to the Submission Deadline in the Market Index Data Calculations

This Modification proposes to include data up to the Submission Deadline, instead of Gate Closure, in the Market Index Data calculations by replacing references to 'Gate Closure' with 'Submission Deadline'.



ELEXON recommends the Panel to raise the attached Modification Proposal in accordance with the provisions of Section F2.1.1(d)(i);



ELEXON recommends this proposal is progressed directly to the Report Phase with an initial recommendation to approve.

This Modification is expected to impact:

- ELEXON
- BSC Trading Parties
- Market Index Data Providers (MIDPs)
- Market Participants

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About This Document

This document is a recommendation to the Panel to raise a Modification Proposal (Attachment A) in accordance with Section F2.1.1(d)(i). If the Panel agree to raise the Modification Proposal, this document will form its Initial Written Assessment (IWA) and the Proposal Form will be updated and published on the ELEXON Website accordingly.

ELEXON will present the proposal to the Panel on 13 December 2018 and ask the Panel to consider its recommendations and decide whether to raise the Modification Proposal and how to progress it.

There are four parts to this document:

- This is the main document. It provides details of the Modification Proposal, and an assessment of the potential impacts.
- Attachment A contains the Proposal Form.
- Attachment B contains the proposed redlining to the Market Index Definition Statement.
- Attachment C contains the proposed legal text to deliver this Modification.



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1 Why Change?

Background

What is Gate Closure?

Gate Closure is the point of time one hour prior to a Settlement Period by which all Physical Notifications relating to that Settlement Period must be submitted. This deadline is the point by which Trading Parties, mainly generators, must notify their Final Physical Notifications (FPNs) and Bids and Offers for that Settlement Period to National Grid, acting as the Electricity System Operator (ESO).

P342 'Change to Gate Closure for Energy Contract Volume Notifications'

[P342](#) introduced a new deadline for the purpose of submitting Energy Contract Volume Notifications (ECVNs) and Metered Volume Reallocation Notifications (MRVNs) for each Settlement Period. The new contract notification deadline was decoupled from Gate Closure, and was set to the Submission Deadline instead. The Submission Deadline for any Settlement Period is the time at the start of that Settlement Period.

The Workgroup considered if the submission of Market Index Data should also be moved to the Submission Deadline or remain at Gate Closure. It was noted at the time (2016) that the volumes expected to be traded after Gate Closure but before the Submission Deadline would, to begin with, be low enough not to materially influence the imbalance price calculation. However, the Workgroup did note that once sufficient data was available on the volumes and prices of trades carried out between Gate Closure and the Submission Deadline, a determination of the most appropriate deadline could be included in the Market Index Definition Statement (MIDS) review in August 2018.

What is the Market Index Definition Statement?

Market Index Data (MID) is used in Settlement to calculate a Market Price, expressed in £/MWh in respect of each Settlement Period. The Market Price is used as the imbalance price when there are no actions left after flagging and tagging. It is designed to reflect the price of wholesale electricity in Great Britain in the short-term market. The Market Price is derived from trades made on power exchanges. Short term is currently defined as period of hours or days immediately prior to Gate Closure but in any event no more than three Business Days prior to Gate Closure.

ELEXON reviews the MIDS annually on behalf of the BSC Panel, in accordance with [BSC Section T1.5.4](#). ELEXON conducted [its 2018 MIDS review](#) recently. In this review, the analysis covers the period 1 August 2017 to 31 July 2018. The review is undertaken to ensure that parameters used in the MIDS calculations (i.e. the Individual Liquidity Threshold (ILT), Timeband weightings and product weightings) remain fit for purpose and through the parameters, checking the MIDS principles (BSC Section T1.5.3) are being met.

In particular, the Market Index Definition Statement defines:

- The overall price (Market Index Price) and volume (Market Index Volume) calculation process;
- A volume threshold (Individual Liquidity Threshold);
- A list of power exchange products that are included in the calculation;



What are Physical Notifications?

Physical Notifications are a notification made by a Party for its BM Unit and a Settlement Period to the ESO as to the expected level of Export or Import, as at the Transmission System Boundary, in the absence of any Balancing Mechanism Acceptances.

The Final Physical Notification is the final level of import or export that a Party expects to import and export for its BM Unit for a Settlement Period at Gate Closure.

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- A list of Timebands, which group trades according to how long before Gate Closure they are made;
- Weightings which reflect the importance of the products and Timebands; and
- Principles by which the weightings, products and thresholds are determined.

The two main parameters that the MIDS define are:

Individual Liquidity Threshold:

- A volume threshold that is set to apply default rules when there is insufficient trading on the power exchange to provide a suitable price. The aim is to avoid the price being set by a single trade – i.e. not having the ILT too low – but also to minimise the number of Settlement Periods where the default rule is applied – not having the ILT too high.

Time and Product Weightings:

- Weightings are applied to reflect the importance of each product and Timeband and are set to '1' or '0', which either completely includes or excludes particular trades.

Timebands

Trades are classified by a number of Timebands, which determine how long before Gate Closure the trade was made. These Timebands cover a number of Settlement Periods. Timebands 1-6 are currently used to calculate the MID. Timeband 6 begins 12 hours ahead of Gate Closure, and ends 8 hours before Gate Closure. Timeband 1 is the final hour up to Gate Closure, as shown in the diagram below.



Amendments to the MIDS

[BSCP40 'Change Management'](#) details (in section 3.10) the process for reviewing and amending the MIDS. Changes to the MIDS must be approved by Ofgem (the Authority). This Modification Proposal is being used as the vehicle to recommend to the Panel and Ofgem the proposed changes following the 2018 MIDS Review and for Ofgem to approve the changes.

What is the issue?

Currently, the MID is excluding trades following Gate Closure up to the Submission Deadline, meaning that the MID is not as reflective as it could be of wholesale electricity in Great Britain.

BSC Modification P342 '[Change to Gate Closure for Energy Contract Volume Notifications](#)' implemented in November 2017, changed the deadline for the submission of ECVNs, for each Settlement Period, from Gate Closure to the Submission Deadline. P342 did not change the Market Index Definition Statement (MIDS) to reflect this as the Workgroup wanted to wait and see if the volume of trades warranted amending the MIDS. The outcome of the 2018 MIDS Review is that the volume of trades occurring past Gate

Closure is now significant enough that the calculation of the MID should include trades upto the Submission Deadline, instead of Gate Closure.

Timeband 6 represents trades made 8 to 12 hours prior to a Settlement Period's Submission Deadline and has contributed little volume to Market Index Data. The removal of the weighting of Timeband 6 would aid principle 4.2(f) in the MIDS, by allowing trades as close as possible to the Submission Deadline as it does not contain a significant volume so would better focus on the volume post gate closure.

Amending the MIDS provides the opportunity to make minor housekeeping changes at this time as well.

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Proposed solution

The 2018 MIDS Review concluded that the MIDPs should include trades made post-Gate Closure and prior to the Submission Deadline. The 2018 MIDS Review recommended amending Timeband 6 weighting from '1' to '0' if changes are made between Gate Closure and Submission Deadline.

Amend BSC Section T 1.5.3(b) (iii)

BSC Section T 1.5.3(b) (iii) defines 'short term' in relation to Market Index Data as a time period in reference to Gate Closure. The proposed solution would replace the reference to 'Gate Closure' with the 'Submission Deadline'.

Amend the MIDS to refer to the Submission Deadline instead of Gate Closure

Update relevant references in the MIDS from 'Gate Closure' to refer to the 'Submission Deadline' instead.

Amend the MIDS to remove Timeband 6 as a weighted Timeband

Set the Timeband 6 from '1' to '0'. This will exclude from the Market Index Data submissions trades made 12 hours ahead of Gate Closure, and ends 8 hours before Gate Closure. Timebands 1-5 (representing 0-8 hours prior to the Submission Deadline) will remain the weighted Timebands.

Amend the MIDS with a number of housekeeping changes

- MIDS 4.1 (d) refers to 'historic' rather than 'historical' data.
- MIDS 4.2 (e) refers to an 'egg' rather than an 'e.g.' (abbreviation for 'for example').
- Remove the duplicate header from the 'Longer-Dated Timebands' table in MIDS Appendix A1 section 1.
- Make formatting changes to 'Price Formula' sections of MIDS Appendices 1 and 2, including:
 - Correcting a missing bracket in Appendices 1 and 2
 - Correcting non-subscripted letters- subscripting and italicising in Appendix 1, italicising in Appendix 2
 - Aligning formula text in Appendix 2

Applicable BSC Objectives

We believe this Modification would better facilitate Applicable BSC Objective (d) for the reason set out below. Please note that the Panel are able to raise Modification Proposals where we (BSCCo) recommend a proposal to modify the Code that would better facilitate Applicable BSC Objective (d) (in accordance with F2.1.1 (d)(i)).

Proposer views against Objective (d)

This Modification would have a positive impact on the efficiency of the implementation of the balancing and settlement arrangements, as it would allow MIDPs to include post- Gate Closure trades in Market Index Data, providing more insight into wholesale trading activity.

Implementation approach

The proposed Implementation Date for this Modification Proposal is:



What are the Applicable BSC Objectives?

(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence

(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System

(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity

(d) Promoting efficiency in the implementation of the balancing and settlement arrangements

(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]

(f) Implementing and administering the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation

(g) Compliance with the Transmission Losses Principle

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- 29 March 2019 if an Ofgem decision is received by 22 February 2019; or
- 5 weeks after Ofgem approval if an Ofgem decision is received after 22 February 2019.

The Implementation approach has been driven by the lead times required by the MIDPs and the efficiencies of delivering in an existing release. There are 2 Market Index Data Providers, Nord Pool and EPEX SPOT. EPEX SPOT have confirmed they require a 5 week lead time to implement these changes. Nord Pool have confirmed that they are also able to deliver within 5 weeks.

3 Proposed Progression

Next steps

ELEXON recommends that this Modification should be sent directly to the Report Phase and hence be subject to the Report Phase Consultation. This is because the solution of this Modification has been derived from the 2018 MIDS Review, which has been subject to industry consultation. Further the proposed solution has already been reviewed by the Imbalance Settlement Group (ISG) who agreed with the recommendations made by ELEXON. The ISG also commented that the removal of Timeband 6 would allow the Market Index Price to better reflect the short term market. We therefore believe this modification proposal is self-evident.

Please note that we propose to issue the Report Phase Consultation for consultation over the Christmas Period. Ordinarily this is not something we would recommend. However, this proposal has already been consulted on, via the MIDS Review, and recommended by the ISG.

Self-Governance

We believe this proposal should not be treated as Self-Governance. The proposal not to treat this modification as a Self-Governance Proposal has been taken because it does not meet the Self-Governance Criteria (as set out in the Transmission Licence and repeated in BSC Annex X-1: 'General; Glossary). Specifically, criterion (a) (ii) as this Modification, if implemented, will alter competition in commercial activities connected with the generation as well as matters relating to the management of the market as it will include additional trades in the Market Index Data calculations, which may be used in the calculation of Parties Imbalance Charges.

Timetable

The table below displays the proposed progression of the Modification.

Proposed Progression Timetable	
Event	Date
Present Initial Written Assessment to Panel	13 Dec 2018
Report Phase Consultation	17 Dec 2018 – 02 Jan 2018
Present Draft Modification Report to Panel	10 Jan 2018
Issue Final Modification Report to Authority	11 Jan 2018



What are the Self-Governance criteria?

A proposal that, if implemented:

- a) is unlikely to have a material effect on:
 - i. existing or future electricity consumers; and
 - ii. competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
 - iii. the operation of the national electricity transmission system; and
 - iv. matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
 - v. the Code's governance procedures or modification procedures; and
- b) is unlikely to discriminate between different classes of Parties

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4 Costs and Impacts

Impacts

Impact on BSC Parties and Party Agents

Party/Party Agent	Potential Impact
BSC Trading Parties	No implementation impact. However, Trading Parties exposed to Imbalance Volume, where the MIP has been used will be subject to a different MIP
Market Index Data Providers	System changes will be required at both MIDPs (N2EX and EPEX) in order to deliver the changes to Gate Closure/weighting.
Market Participants	The MIDS is used outside of the BSC.

Impact on Transmission Company

None

Impact on BSCCo

Area of ELEXON	Potential Impact
Market Analysis	Guidance document updates to reflect the change. Operational processes remain the same effort post change.

Impact on BSC Systems and processes

BSC System/Process	Potential Impact
None	None

Impact on BSC Agent/service provider contractual arrangements

BSC Agent/service provider contract	Potential Impact
None	None

Impact on Code

Code Section	Potential Impact
Section T 'Settlement and Trading'	Changing a reference in Section T from 'Gate Closure' to 'the Submission Deadline'

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Impact on Code Subsidiary Documents	
CSD	Potential Impact
None	None

Impact on other Configurable Items	
Configurable Item	Potential Impact
Market Index Definition Statement	Updating references from 'Gate Closure' to 'the Submission Deadline', as well as housekeeping changes.

Impact on Core Industry Documents and other documents	
Document	Potential Impact
None	None

Impact on a Significant Code Review (SCR) or other significant industry change projects	
<p>We do not believe this Modification will impact any open SCRs.</p> <p>Ofgem was notified on 5 December 2018 that we are inviting the Panel to raise this Modification on 13 December 2018 and that it was ELEXONs view that this Modification should be a SCR Exempt Modification Proposal.</p>	

Impact on Consumers	
<p>The day to day operation of Balancing and Settlement would remain unaffected so there would be no direct cost to consumers.</p>	

Impact on the Environment	
<p>As a document-only change, we do not expect the proposed Modification will incur any environmental impacts.</p>	

Other Impacts	
Item impacted	Potential Impact
None	None

Costs

Estimated central implementation costs

We estimate it will cost approximately £240 to implement this modification proposal, to update the impacted documents, with no additional on-going costs.

Indicative industry costs

Nord Pool confirmed that they would not charge for the change. EPEX SPOT will charge a one off cost of £28,000.

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5 Recommendations

We invite the Panel to:

- **RAISE** the Modification Proposal in Attachment A (in accordance with F2.1.1(d)(i));
- **AGREE** that the modification proposal progresses directly to the Report Phase;
- **AGREE** that the modification proposal:
 - **DOES** better facilitate Applicable BSC Objective (d);
- **AGREE** an initial recommendation that the modification proposal should be **approved**;
- **AGREE** an initial Implementation Date of:
 - 29 March 2019 if an Authority decision is received on or before 22 February 2019; or
 - 5 weeks after Ofgem approval if an Ofgem decision is received after 22 February 2019.
- **AGREE** the draft legal text;
- **AGREE** the draft changes to the MIDS;
- **AGREE** that the modification proposal should not be treated as a Self-Governance Modification;
- **NOTE** that ELEXON will, subject to Panel agreement, issue the Draft Modification Report (including the draft BSC legal text and draft MIDS) for a 10 Working Day consultation and will present the results to the Panel at its meeting on 10 January 2018.

Appendix 1: Glossary & References

Acronyms

Acronyms used in this document are listed in the table below.

Acronym	
Acronym	Definition
BM	Balancing Mechanism
BSC	Balancing and Settlement
CR	Change Request
ECVAA	Energy Contract Volume Aggregation Agent
ECVNA	Energy Contract Volume Notification Agent
EPEX	EPEX SPOT
ILT	Individual Liquidity Threshold
ISG	Imbalance Settlement Group
IWA	Initial Written Assessment
MID	Market Index Data
MIDP	Market Index Data Provider
MIDS	Market Index Definition Statement
MVRNs	Metered Volume Reallocation Notifications
N2EX	Nord Pool
PN	Physical Notification
RER	Risk Evaluation Register
SAA	Settlement Administration Agent
SCM	Supply Chain Management

External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

External Links		
Page(s)	Description	URL
3	P342 – Change to Gate Closure for Energy Contract Volume Notifications	https://www.elexon.co.uk/mod-proposal/p342/
3	Market Index Definition Statement	https://www.elexon.co.uk/consultation/mids-review-2018-consultation/

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External Links		
Page(s)	Description	URL
3	BSC Section T – Settlement and Trading Charges	https://www.elexon.co.uk/wp-content/uploads/2018/03/Section_T_v26.0.pdf
4	BSCP40 – Change Management	https://www.elexon.co.uk/wp-content/uploads/2018/02/BSCP40_v16.0.pdf